



County Hall  
Cardiff  
CF10 4UW  
Tel: (029) 2087 2000

Neuadd y Sir  
Caerdydd  
CF10 4UW  
Ffôn: (029) 2087 2000

## AGENDA

Committee	PENSIONS COMMITTEE
Date and Time of Meeting	MONDAY, 12 MARCH 2018, 5.00 PM
Venue	COMMITTEE ROOM 1 - COUNTY HALL
Membership	Councillor Weaver (Chair) Councillors Dilwar Ali, Howells, Sattar and Graham Thomas

### 1 Apologies for Absence

To receive apologies for absence.

### 2 Declarations of Interest

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

### 3 Minutes (*Pages 1 - 2*)

To approve as a correct record the minutes of the meeting held on 20 November 2017.

### 4 Exclusion of Press and Public

**Item 5 is confidential and not for publication by virtue of paragraph 14 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972. The public will be excluded from the meeting for the presentation of this item in accordance with the same legislation.**

### 5 Minutes of the Investment Advisory Panel (*Pages 3 - 10*)

To note the minutes of the Investment Advisory Panel meetings held on 19 September and 12 December 2018.

### 6 Wales Pension Partnership (*Pages 11 - 12*)

To receive an update on the development of the Wales Investment Pool

**7 Fossil Fuel Investments (Pages 13 - 14)**

To receive an update on the review of the Pension Fund investments in fossil fuel companies.

**8 Date of next meeting**

Wednesday 27 June 2018 at 5.00pm

**Davina Fiore**

**Director Governance & Legal Services**

Date: Tuesday, 6 March 2018

Contact: Andrea Redmond, 02920 72434, [a.redmond@cardiff.gov.uk](mailto:a.redmond@cardiff.gov.uk)

***This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg***

PENSIONS COMMITTEE

20 NOVEMBER 2017

Present: Councillor Weaver (Chairperson), Councillors Dilwar Ali, Howells and Graham Thomas

Also

Present: Christine Salter, Gary Watkins, Gareth Henson and David Marr

39 : APOLOGIES FOR ABSENCE

No apologies for absence were received.

40 : DECLARATIONS OF INTEREST

Declarations of interest were received in respect of all items from Councillors Nigel Howells and Graham Thomas on the basis that they are both members of the Cardiff & Vale Pension Fund Scheme.

41 : MINUTES

The minutes of the meeting of 25 September 2017 were approved as a correct record and signed by the Chairperson.

42 : EXCLUSION OF PRESS AND PUBLIC

**The Committee agreed that the press and the public be excluded from the meeting during the consideration of the next item as consideration of the item in public would disclose information which falls within paragraphs 14 and 21 of Parts 4 and 5, Schedule 12A Local Government Act 1972.**

43 : WALES PENSION PARTNERSHIP

RESOLVED: To approve the recommendations in the WPP Operator Selection Report.

44 : DATE OF NEXT MEETING

The next meeting of the Pensions Committee will take place between January and March of 2018

The meeting terminated at 5.15

This page is intentionally left blank

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



# CARDIFF COUNCIL CYNGOR CAERDYDD



**PENSIONS COMMITTEE: 12 MARCH 2018**

## **REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 6**

### **WALES PENSION PARTNERSHIP**

#### **Reason for this Report**

1. The Pension Committee Terms of Reference set out the Committee's responsibility for the strategic governance of the Cardiff & Vale of Glamorgan Pension Fund.
2. This report has been prepared to update the Committee on progress towards the establishment of pooled investment arrangements for the eight LGPS funds in Wales.

#### **Background**

3. The eight Welsh LGPS funds submitted proposals to the DCLG in July 2016 for a Wales Investment Pool and the proposals were approved by the Minister for Local Government in November 2016.
4. To enable the pooling of investments, the eight administering authorities have formed the Wales Pension Partnership (WPP), under the oversight of a Joint Governance Committee (JGC) comprising the Chairs of the eight Pension Committees. The JGC is supported by an Officer Working Group (OWG) made up of the Treasurers and Investment Officers of the eight funds. Carmarthenshire Council have been approved as the Host Authority, providing administrative support to the WPP.
5. Following a procurement exercise overseen by the JGC, the eight authorities individually approved the appointment of Link Fund Solutions as the Operator of the Investment Pool. The contract with Link was signed on 22 December 2017. Link have partnered with Russell Investments to provide investment consultative services.

#### **Issues**

6. Link will be establishing a FCA regulated Authorised Contractual Scheme (ACS) to hold investment assets on behalf of the eight pension fund authorities. The ACS will comprise a number of sub funds to enable the authorities to implement their individual investment strategies. The sub funds will be established in stages once the initial application to the FCA has been approved.
7. Assets held in each sub fund will be managed by one or more investment managers appointed by Link in consultation with Russell Investments and the eight pension funds. Link and Russell have met with the officers of each fund individually to gain an

understanding of the funds' investment strategies and current asset portfolios. They have also given a presentation to an informal meeting of the JGC.

8. Each constituent authority will retain full control over its strategic asset allocation. The authorities will also retain control over the timing of the transfer of assets from the existing fund custodians to the ACS.
9. It is anticipated that the first sub fund relevant to Cardiff's asset allocation will be launched during the second half of 2018.
10. Link and Russell will attend the joint meeting of the Pensions Committee and the Local Pension Board on 23 March to introduce themselves and explain their role within the Wales Pension Partnership.

### **Legal Implications**

11. This report has been prepared to update the Committee on progress in the establishment of pooled investment arrangements for the eight LGPS funds in Wales and as such does not raise any direct legal implications. As and when individual proposals are developed, legal advice should be obtained.

### **Financial Implications**

12. The costs of the WPP will be apportioned between the constituent authorities in accordance with the Inter Authority Agreement. All costs allocated to Cardiff will be charged to the Pension Fund.

### **Recommendations**

13. That the Committee notes the recent developments in the establishment of the WPP Investment Pool.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**

Background papers  
WPP Press Release January 2018

# **CARDIFF COUNCIL CYNGOR CAERDYDD**



**PENSIONS COMMITTEE: 12 MARCH 2018**

## **REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 7**

### **FOSSIL FUEL INVESTMENTS**

#### **Reason for this Report**

1. This report has been prepared to update the Committee on progress towards reviewing the Pension Fund's investments in fossil fuels.

#### **Background**

2. Environmental groups (e.g. Friends of the Earth) have campaigned for several years against the reliance of developed and developing countries on fossil fuel sources (coal, oil and gas) for energy, on the grounds of the impact on the environment of both the extraction and consumption of fossil fuels.
3. Recent campaigns have focused on the long term financial viability of major oil and gas producers, raising issues such as agreements by governments to aim to reduce consumption and the increasing costs of extraction. Campaigners have argued that LGPS funds should cease investing in these companies on financial grounds i.e. that the companies may not be able to provide the long term capital growth and dividend income required by fund investment strategies.
4. Following the election of a new Council in May 2017, Cardiff Council published the "Capital Ambition" document setting out its five year plan. The plan included a commitment to "Work with the Pensions Committee to consider divesting Council investments from fossil fuel companies". A more detailed Corporate Plan for 2018-21 is being prepared and will set out proposals to address the commitments in Capital Ambition.

#### **Issues**

5. The role of the Investment Advisory Panel is to make recommendations to the Committee regarding the Fund's investment strategy, having taken advice from the independent advisors and officers as required by the LGPS Investment Regulations.
6. In response to the commitment given in Capital Ambition, the Panel has received two reports setting out the issues to be considered before any amendments could be made to the Fund's strategy.
7. The report presented to the Panel in December addressed the following issues:

- The fiduciary responsibilities of the Council and the roles of the Committee, the Panel and the Local Pension Board in fulfilling those responsibilities
  - Commitments made by other LGPS funds to amend their investment strategies to take account of environmental issues
  - The Fund's current exposure to fossil fuel related investments
  - Options for investment strategies including low carbon investing as well as full divestment
8. The Panel noted the work carried out to date and recommended that officers consider wider ESG (environmental, social and governance) issues, consult with other LGPS funds in Wales and consider the development of a Climate Change Investment Policy.
9. ESG issues will be included in topics to be discussed at the joint meeting of the Pensions Committee and Local Pension Board on 23 March.
10. The Wales Pension Partnership will work with its ACS operator Link Fund Solutions and consultants Russell Investments to consider how ESG issues can be addressed to meet the current and future requirements of the eight constituent pension funds.
11. The UK Government announced in December 2017 that it will consult on changes to Pension Scheme Investment Regulations to allow Pension Funds to consider social factors in making investment decisions. The Panel and Committee will be advised of the proposed changes so that a response can be made to the consultation.

### **Legal Implications**

12. This report is presented for information. Detailed legal advice should be obtained as proposals are developed to amend the Fund's investment strategy.

### **Financial Implications**

13. There are no financial implications arising directly from this report. Any recommendations made to future Committee meetings to amend the Fund's investment strategy will be accompanied by an assessment of the financial impact on the Fund and its contributing employers.

### **Recommendations**

14. That the Committee notes the work undertaken to date on review the Fund's investment in fossil fuel related companies.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**